# The monetary resolutions of „Maastricht“: a danger for Europe (1992)*

1. An economic and monetary union can be seen as a desirable goal in the process of European integration. In key areas, however, the Maastricht agreements do not suffice to achieve this goal adequately.
2. A functioning economic and monetary union requires as a prerequisite the sustained convergence, demonstrated over several years, of the relevant economic structures of the member states. A one-time, more or less incidental fulfilment of individual criteria on a particular date does not constitute evidence of the necessary convergence.
3. The convergence criteria laid down in Maastricht are too soft. Thus, among other things, one should demand as an economic prerequisite for joining the economic and monetary union not just some relative degree of price level stability, but price stability defined in absolute terms.
4. The finale deadline for the achievement of the monetary union (January 1, 1999) will subject the convergence criteria to political pressures within the system. Once the date is reached, there is a danger that especially the inflation criterion and the deficit criterion with regard to “sound public finance” will be watered down politically to avoid discriminating against individual countries.
5. Despite extensive autonomy, the European Central Bank will not achieve price stability in Europe, because, given the different interests of the national decision makers, the ECB lacks sufficient incentive to want stability. The governor’s personal autonomy is not guaranteed and there are no sanctions for those who violate the goal of stability.
6. As a prerequisite for a successful policy of price stability, the European Central Bank should also have competence in setting exchange rates with third currencies. As it is not proposed to transfer this competence to the ECB, there is a danger that its monetary policy will be undermined by political influence on exchange rates in a way that is inconsistent with stability. This holds likewise for the fact that capital controls to third countries are still possible.
7. A consensus still does not exist in Europe as a whole, as it traditionally exists in Germany, that price stability should be considered a priority. But a sustained policy of stability can only be pursued if the central bank, government and people together share such a consensus, because the success of the policy requires, among other things, support from fiscal policy as well as from wage policy at national level.
8. The economically weaker European partner states will face increased competitive pressure under a common currency, and, as a result, they will experience growing unemployment due to lower productivity and competitiveness. This will make high transfer payments in the name of “financial compensation” necessary. As so far no agreements exist concerning the structure of a political union, a system with sufficient democratic legitimacy to regulate this process is lacking.
9. Consequently, there is at present no compelling argument for imposing a monetary union from above on a Europe that is not yet united economically, socially and politically. The achievement of the internal market does not in any way require or call for a common European currency.
10. The overhasty introduction of European monetary union will subject Western Europe to strong economic tensions, which could lead to a political struggle in the foreseeable future and thus endanger the goal of integration.
11. The Maastricht agreements, and not their critics, endanger Europe’s chances of growing together on a peaceful way.

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## The Euro starts too early (1998)*

1. There is no alternative of European integration. The single currency will be part of it – at least for the core of Europe. However, the Euro comes too early.
2. The consolidation of public budgets has made progress. Nevertheless, it has not advanced enough, especially in large countries such as Italy, France and Germany. The process of consolidation started too late and halfheartedly. In spite of an unusually low level of interest rates, hence reduced costs of debt service, and in spite of numerous examples of creative accounting, the core countries have not succeeded in reducing deficits markedly and sustainably below the 3 per cent reference value. Moreover, the average debt ratio of the member states has not come down since 1991 but has risen by 15 percentage points. As a result, it now exceeds the 60 per cent reference value of the Maastricht treaty by a large margin. This is contrary to the spirit of the treaty.
3. The treaty rightly requires persistence of convergence. To ensure this the so-called "stability pact" has been invented. However, the pact cannot guarantee budgetary discipline. The threat of sanctions is credible, if at all, only if the deficit reference value is violated by one country or very few countries. Given that sanctions are not automatic, it is unlikely that a qualified majority will enforce the pact when a larger number of countries simultaneously violates the limit. The pact cannot ensure the stability of the Euro.
4. Since 1991 the structural problems of Europe have worsened. Unemployment has continued to rise. Notably Germany and France – the driving forces of European integration – are not well prepared to cope with the more rapid structural change and the stiffer competition in a monetary union. The Euro does not solve the unemployment problem of Europe. Given that the exchange rates are no longer available for adjustment, labour markets need to become much more flexible – in Germany as well as elsewhere. An unambiguous change of trend is missing in this respect. If such a trend change is not achieved before the start of monetary union, we will have to expect useless experiments of demand stimulation and above all political pressure on the European Central Bank.
5. The current state of economic affairs is most unsuitable for starting monetary union. An orderly postponement for a couple of years – supplemented by conditions on further progress with respect to budgetary consolidation – has to be seriously considered as a political option. Postponement must not be seen as a political catastrophe. No party can infer from it that the process of integration has come to an end. The persistent success of the Euro is more important than its starting date.
6. An orderly postponement would not be a reason for any country to reduce its efforts at consolidating public budgets. Reducing effort would be a signal that the country either does not make budgetary discipline an objective of its own or that it is unable to take the necessary action. It would be a fundamental error to start monetary union with such a country.
7. Should the attempt of reaching unanimous agreement on an orderly postponement fail, it will be of utmost importance to apply the convergence criteria without any indulgence. Then it must not be declared a taboo that the monetary union starts with a smaller group of countries. On the contrary, with regard to sustainability, the convergence criteria need to be applied as rigorously as possible – as strictly as the treaty permits. Governments who do not take the examination of convergence seriously, undermine the confidence in the actual independence of the European Central Bank and in the stability of the Euro. The start of monetary union would suffer from a heavy burden if the Euro is expected to be weak – inside and outside the monetary union.

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